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have been spurred, or whether and in what degree both agencies may have operated." In this passage, he very clearly refuses to say that a decline in prices has been caused by a scarcity of gold, and in that opinion I most heartily concur.

J. LAURENCE LAUGHLIN.

OUR COMMERCIAL RELATIONS WITH THE HAWAIIAN ISLANDS.

DURING the month of January the Hawaiian Islands suffered a revolution. The authority of the queen was set aside, a provisional government constituted, and a commission sent to Washington to petition for the annexation of the islands to the United States. On the 1st of February, at the suggestion of the provisional government, the United States minister hoisted the flag of his country over one of the principal buildings of Honolulu and proclaimed that the islands were under the protection of the United States.

One of the principal causes of this remarkable event is to be found in the commercial relations of the two countries. To trace this cause from the beginning it is necessary to go back nearly twenty years.

The Hawaiian Islands, from their location, find their natural market in the United States. But our government formerly levied a heavy duty on the article sugar, which forms their chief product. For years the efforts of the Hawaiian government were directed to securing release from this burden. Finally, on January 30, 1875, the representatives of the two governments signed a reciprocity treaty¹ which provided that, in return for the admission of certain products of the United States into the islands free of duty, certain Hawaiian products, the chief of which were sugar and rice, should be exempt from duty when imported into the United States. Provision was made to carry out this treaty on the part of the United States by the act of Congress of August 15, 1876. It went into effect on the signing of a protocol by the representatives of the two powers, September 9, 1876. By its terms this treaty, or convention, as it is strictly called, was to last for seven years, after which either party might abrogate it on a year's notice. On December 6, 1884, a convention² was signed pro-

¹ "Treaties and Conventions between the United States and Other Powers," p. 546.

² *Ib.*, p. 1187.

viding for a renewal of the reciprocity arrangement for another seven years, but the ratifications were not exchanged until November 9, 1887. As notice of a wish to terminate the arrangement cannot be given until the seven years have expired, both nations are therefore bound to it until November 9, 1895.

The reasons why the United States agreed to this treaty were chiefly diplomatic. The Hawaiian government had been coquetting with other powers which never miss a chance to acquire territory. In 1875 one-third of the Hawaiian sugar crop went to Australia and arrangements were on foot to send the entire crop of 1876 there. The sugar planters were negotiating with English capitalists for the establishment of close commercial relations with Australia and England and for the importation of coolies from India.

It was argued before the Senate that, if the islands were obliged to continue this policy, they would fall more and more under English influence, and ultimately become a virtual, if not a real, dependency of the British crown. Thus a foreign power would become established near our own coast on the most important commercial and naval point in the Pacific ocean.

To show the effect of the reciprocity treaty and to afford a basis for discussing our commercial relations with the islands, the following table is presented [00,000 omitted]:¹

Year	Exports from United States to Islands	Imports to United States from Islands ²		
		Sugar	Rice	Total
		lbs.	lbs.	
1875	\$.6	17.8	1.5	\$ 1.2
1876	.7	20.9	2.0	1.3
1877	1.2			2.6
1878	1.7			2.6
1879	2.4	41.6	5.5	3.2
1880	1.9	61.5	5.0	4.6
1881	2.6	76.9	6.9	5.5
1882	3.2	106.1	10.1	7.6
1883	3.6	114.1	12.9	8.2
1884	3.4	125.1	12.3	7.9
1885	2.7	169.6	8.2	8.8
1886	3.1	191.6	6.8	9.8
1887	3.5	208.2	9.2	9.9
1888	3.0	228.5	13.2	11.0
1889	3.3	243.3	10.6	12.8
1890	4.6	224.4	10.7	12.3
1891	4.9	312.2	7.8	13.8
1892				

¹ Compiled from the "Reports on Commerce and Navigation," 1875-91.

² The government reports for 1877 and 1878 do not give the imports from the islands by articles.

One noticeable feature is the large excess of imports over exports; but there is good reason to believe that the balance of trade arising from this excess is mainly nominal and not real. The valuable sugar plantations are largely owned by San Francisco capitalists. The carrying trade and much of the lucrative business of the Islands is done by citizens of the United States. The government debt and most of the private debts are held in the United States.¹ As a result the accruing rents, profits and interest come to the United States, never to return, and so far offset the apparent balance of trade as to leave but little to be paid in London exchange. This means that about two-thirds of the annual export of the islands goes to enrich the capitalists, ship-owners and business men of the United States; the remaining one-third comes back to the Hawaiians in commodities for their own use.

But the most striking fact indicated by this table is the enormous increase in the trade. From 1875 to 1891 exports increased nearly eight-fold and imports over eleven-fold. This was brought about chiefly by the reciprocity treaty. But let us see how it was done. Until the sugar schedule of the McKinley tariff act went into effect on April 1, 1891, the United States collected import duties on sugar equal to about 75 per cent. *ad valorem*. The duty on the grade which comprised most of the import from the Hawaiian islands was three cents a pound after 1883; before that it was over four cents.² But Hawaiian sugar came in free; and as it was just as good as any other and brought as much in the market, this arrangement enabled the planters of Hawaii to make an extra profit of three cents on every pound of sugar they raised. The remitted duty was a free gift from the United States government.

From the time the reciprocity treaty went into operation until sugar was put on the free list, the islands sent us 2,000,000,000 pounds of sugar. The remitted duty, therefore, amounted to about \$60,000,000.

The case is the same with rice, except that the amount is much smaller and the duty is still maintained. But the figures show very clearly the effect of the successive reductions in the duty. At the date of the treaty the duty was two and one-half cents per pound for

¹ "Statements to the Committee of Ways and Means on the Morrison Tariff Bill of 1886," pp. 56, 64, 67 and 79.

² "U. S. Statutes at Large," Vol. xxii, p. 502; Vol. xvi, p. 397; Vol. xviii, p. 340.

cleaned rice and two cents for uncleaned.¹ As the rice from Hawaii comes in free under the treaty, that country had an advantage over other rice-producing countries just equal to the amount of the duty. So the export of rice to the United States increased rapidly to 13,000,000 pounds in 1883. In that year, however, the duty was reduced a quarter-of-a-cent on cleaned rice and half-a-cent on uncleaned,² bringing Hawaii so much nearer to a level with other countries. As a result the exports to the United States declined during the next three years to nearly half of what they were in 1883. In 1890 the duty was reduced again by another quarter-of-a-cent,³ and the export for the fiscal year 1891 fell off 28 per cent.

The effect of this artificial stimulus upon the Hawaiian Islands was all that might have been expected. In a short time many of the plantations trebled in value. From 1876 to 1883 the production of sugar increased six-fold. Immigration was large, though not always of the most desirable character. In Hawaii reciprocity was immensely popular.⁴

But when the United States placed sugar on the free list in 1891, all was changed. Since then the Hawaiian islands have had no advantage in our markets over other sugar-producing countries. As a result they have experienced a severe depression in business and a sharp decline in values. Many of the plantations which had been opened have proved unprofitable, since they were forced to compete with those of the Philippine Islands. Some have been abandoned and a multitude of laborers are now out of work.

For this deplorable state of affairs the Hawaiians naturally sought a remedy. They had once gained admission within the wall of protection which the United States builds about itself. But now the part of that wall which protects sugar has been thrown down. Instead of protection, the United States now gives a bounty to its sugar-producers—two cents for every pound of sugar raised. Again, the Hawaiians seek for themselves the privilege possessed by the sugar-producers of the United States: *they want to be annexed, so that they can draw the sugar bounty.*

¹ U. S. Statutes at Large, vol. xiii., p. 213.

² Ibid., vol. xxii., p. 503.

³ Ibid., vol. xxvi., p. 585.

⁴ Statements to the Committee of Ways and Means on the Morrison Tariff Bill of 1886, pp. 14-21, 56-71.

As Hawaii sends us between 200,000,000 and 300,000,000 pounds of sugar every year, annexation would cost the United States about \$5,000,000 annually. Of course after the Islands were annexed, the bounty need not necessarily continue. But as the bounty is for the benefit of the South and as the government is now Democratic, repeal is not probable for five or six years at least.

It may be that we ought to annex the Hawaiian Islands for political or diplomatic reasons. But let us first count the cost. May not the expenditure of \$25,000,000 in new vessels strengthen our navy more than a coaling station at Honolulu? Besides, let us not flatter ourselves by mistaking the real reason why the Hawaiians so love the United States.

FREDERICK R. CLOW.